

Message Text

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PAGE 01 SANTO 04565 162146Z

15

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 AGRE-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PA-01 PRS-01 /086 W

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R 162128Z SEP 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 8291

LIMITED OFFICIAL USE SANTO DOMINGO 4565

E.O. 11652: N/A

TAGS: EAGR, EFIN, ETRD, DR

SUBJ: SUGAR: CURRENT STATUS IN DR

1. EMBOFF MET WITH INAZUCAR (STATE SUGAR COUNCIL) REPRESENTATIVES TO RECENT RIO DE JANEIRO AND MEXICO CITY SUGAR CONFERENCES. IN AN ATMOSPHERE OF GLOOM, INAZUCAR OFFICIALS STATED THAT CURRENT LOW WORLD MARKET PRICES ARE UNJUSTIFIED IN VIEW OF PRODUCTION COSTS, AND THAT SPECULATORS, RATHER THAN LAW OF SUPPLY AND DEMAND, ARE CONTROLLING MARKET.

2. IN RESPONSE TO EMBOFF'S QUERY AS TO RESULTS OF MEETINGS, GODR OFFICIALS SPOKE OF NEBULOUS METHODS AGREED UPON TO HELP RAISE PRICES SUCH AS BETTER COMMUNICATIONS BETWEEN PRODUCERS BEFORE SELLING, BUT THE IMPLICATION WAS THAT NODEFINITE ARRANGEMENT HAD BEEN WORKED OUT FOR PRODUCERS TO WITHHOLD SUGAR FROM MARKET. THEY COMPLAINED THAT OTHER PRODUCERS THIS YEAR HAD SOLD WITHOUT PROPER CONSULTATIONS.

3. PRELIMINARY DATA SUPPLIED PRIVATELY BY INAZUCAR FOR THIS YEAR UP TO AUGUST 31 INDICATES THAT SOME 597,380 SHORT TONS (ST) OF CRUDE SUGAR HAD BEEN EXPORTED, ALL BUT 53,125 ST TO THE AMERICAN MARKET, AT AN AVERAGE PRICE OF 13.06 CENTS PER POUND.

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PAGE 02 SANTO 04565 162146Z

4. EMBASSY ESTIMATES THAT DR WILL EXPORT SOME 1,180,000 ST OF CRUDE SUGAR THIS YEAR, MEANING THAT NEARLY HALF OF THE YEAR'S TOTAL, OR SOME 582,620 ST, STILL REMAINS TO BE EXPORTED. OF THE SUM YET TO BE EXPORTED, OVER 150,000 ST ARE STILL UNSOLD.

5. WITH THE SPOT AND OCTOBER FUTURES PRICES HOVERING BELOW NINE CENTS A POUND, AND WITH THE PRICE OF THE BULK OF THE SUGAR STILL TO BE EXPORTED LARGEMLY A FUNCTION OF PRICE UPON ARRIVAL IN US PORTS, IT WOULD APPEAR THAT AN AVERAGE SALE PRICE OF 11.5 CENTS A POUND FOR THE YEAR IS OPTIMISTIC. SUCH A RESULT WOULD MEAN FOREIGN EXCHANGE EARNINGS FROM CRUDE SUGAR FOR DR THIS YEAR OF DOLS 271.4 MILLION, COMPARED WITH LAST YEAR'S RESULT OF DOLS 560.6 MILLION. YET, LAST YEAR THE NET FOREIGN EXCHANGE HOLDINGS OF THE COUNTRY WERE ONLY INCREASED BY APPROXIMATELY DOLS 39 MILLION.

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